

# MAINE STATE LEGISLATURE

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DATE: 2-21-02

(Filing No. H-824)

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
120TH LEGISLATURE  
SECOND REGULAR SESSION

HOUSE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 242, L.D. 810, Bill, "An Act to Amend the Laws Governing the Deduction of Pension and Retirement Benefits from State Income Tax"

Amend the amendment in section 1 by striking out all of paragraph M and inserting in its place the following:

~~M. An amount,--for~~ For each taxpayer who is a primary recipient of benefits under an employee retirement plan or who is 65 years of age or older on the last day of the taxable year who has interest, dividends or net capital gains taxable in this State that are included in federal adjusted gross income modified as otherwise provided by this section, an amount that is the lesser of:

~~(1) Six-thousand-dollars-reduced-by-the-total-amount of-the-primary-recipient's-social-security-benefits-and railroad-retirement-benefits-paid-by-the-United-States, but-not-less-than-\$0. The following amounts reduced by the total amount of the primary recipient's social security benefits and railroad retirement benefits paid by the United States, but not less than \$0, for each tax year beginning in the following years. The reduction does not apply to benefits paid under a military retirement plan,--or:~~

(a) 2002, \$8,000;

(b) 2003, \$9,000;

(c) 2004, \$10,000;

(d) 2005, \$11,000;

(e) 2006, \$12,000;

1003

- 2                    (f) 2007, \$13,000;
- 4                    (g) 2008, \$14,000;
- 6                    (h) 2009, \$15,000;
- 8                    (i) 2010, \$16,000;
- 10                   (j) 2011, \$17,000; and
- 12                   (k) 2012 and after, \$20,000; or

14                    (2) The taxpayer's aggregate of interest, dividends,  
 16                    net capital gains taxable in this State and pension  
 18                    benefits received by as the primary recipient under  
 20                    employee retirement plans and included in federal  
 22                    adjusted gross income modified as otherwise provided by  
                      this section. Items of interest, dividends and net  
                      capital gains income from jointly owned accounts must  
                      be apportioned equally among owners of the accounts.

24                    For purposes of this paragraph, "employee retirement plan"  
 26                    means a state, federal or military retirement plan or any  
 28                    other retirement benefit plan established and maintained by  
 30                    an employer for the benefit of its employees under Section  
 32                    401(a), Section 403 or Section 457(b) of the Code.  
 34                    ~~"Employee retirement plan" does not include,~~ an individual  
 36                    retirement account under Section 408 of the Code, a Roth IRA  
 38                    under Section 408A of the Code, a rollover individual  
 40                    retirement account, a simplified employee pension under  
                      Section 408(k) of the Code or an ineligible deferred  
                      compensation plan under Section 457(f) of the Code. For  
                      purposes of this paragraph, "military retirement plan" means  
                      benefits received as a result of service in the active or  
                      reserve components of the Army, Navy, Air Force, Marines or  
                      Coast Guard. For purposes of this paragraph, "primary  
                      recipient" means the pension recipient upon whose earnings  
                      the pension is based or the surviving spouse of such a  
                      person;'

**FISCAL NOTE**

**2002-03**

**REVENUES**

General Fund	(\$5,776,192)
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**REG**

HOUSE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 242, L.D. 810

Other Funds (316,837)

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This amendment includes interest, dividends and capital gains income to the maximum allowable income tax deduction for certain taxpayers beginning in tax year 2002. This change will decrease individual income tax collections by \$6,093,029 in fiscal year 2002-03. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in that year by \$316,837. The resulting net reduction of General Fund revenue will be \$5,776,192 in fiscal year 2002-03. The estimated total decrease in individual income tax in fiscal year 2003-04 and fiscal year 2004-05 is \$5,010,544 and \$5,614,285, respectively.

The bill as amended by this amendment would result in a net reduction of General Fund revenue of \$12,742,475 in fiscal year 2002-03.

**SUMMARY**

This amendment includes interest, ordinary dividends and capital gains within the definition of retirement income included in the calculation of the income tax deduction for retirement income if those items are taxable in this State and at least one taxpayer included on the tax return is at least 65 years old.

SPONSORED BY: *Harold A. Clough*  
(Representative CLOUGH)

TOWN: Scarborough